# Message Text

CONFIDENTIAL PAGE 01 LONDON 02145 101857Z 53 **ACTION EUR-12** INFO OCT-01 IO-11 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00 OFA-01 EB-07 SAJ-01 COME-00 INT-05 CEQ-01 EPA-01 PM-04 L-03 NSC-05 CIAE-00 INR-07 NSAE-00 PA-01 PRS-01 SP-02 TRSE-00 DLOS-04 SAL-01 AGR-05 SS-15 H-02 /090 W ----- 008838 O R 101845Z FEB 76 FM AMEMBASSY LONDON TO SECSTATE WASHDC IMMEDIATE 8888 INFO AMEMBASSY ANKARA AMEMBASSY ATHENS AMEMBASSY BONN AMEMBASSY BRUSSELS AMEMBASSY COPENHAGEN AMEMBASSY THE HAGUE AMEMBASSY LISBON AMEMBASSY LUXEMBOURG AMEMBASSY OSLO AMEMBASSY OTTAWA AMEMBASSY PARIS AMEMBASSY ROME AMEMBASSY REYKJAVIK IMMEDIATE USMISSION NATO BRUSSELS IMMEDIATE AMEMBASSY DUBLIN USMISSION USUN NEW YORK SECDEF IMMEDIATE CINCLANT IMMEDIATE CINCUSNAVEUR USCINCEUR USNMR SHAPE CONFIDENTIAL LONDON 02145 E.O. 11652: XEDS-1 CONFIDENTIAL CONFIDENTIAL

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TAGS: EFIS, NATO. MARR, IC. UK

#### SUBJECT: ICELAND-UK FISHERIES DISPUTE

REF: (A) REYKJAVIK 193 (B) LONDON 1805

- 1. AT TIME WHEN ICELAND-UK FISHERIES DISPUTE PROCEEDS ON ITS DOWNWARD SPIRAL. AS ICELANDIC PRIME MINISTER PLEADS FOR U.S. TO EXERT PRESSURE ON UK TO WITHDRAW FRIGATES (REFTEL A.), AND WHILE HMG PREPARES FOR SECRETARY GENERAL LUNS' VISIT TOMORROW FEBRUARY 11. IT MAY BE UUSEFUUL TO WASHINGTON AND OTHER ADDRESSEES FOR EMBASSY TO REEMPHASIZE HOW WE BELIEVE BRITISH SEE PRESENT SITUATION.
- 2. AT THIS POINT. HMG IS PRINCIPALLY LOOKING FOR FACE-SAVING WAY OUT OF CURRENT IMPASSE WHICH CAN BE REASORABLY DEFENDED BEFORE THE UK FISHING INDUSTRY. SUCH A SOLUTION. HOWEVER. WOULD REQUIRE AT LEAST SOME SIGN OF ICELANDIC FLEXIBILITY. WE DOUBT THAT BRITISH GOVERNMENT. ESPECIALLY GIVEN JIM CALLAGHAN'S PRIDE. WOULD ACCET TOTAL AND OUBLIC UK HUMILIATION AT HANDS OF GOI. OUR GUESS IS THAT ALTHOUGH HMG IS ACU TELY AWARE OF WIDER IMPLICATIONS OF DISPUTE. IT WILL NOT UNCONDITIORALLY SURRENDER ITS PERCEIVED INTERESTS SOLELY TO SAVE ICELAND'S MEMBERSHIP IN NATO OR KEFLAVIK.
- 3. IF THIS IS TRUE, BRITISH WILL BE KEENLY SENSITIVE TO ANY INCREASED PRESSURE FROM LUNS. ALLIANCE OR U.S. TO MAKE FURTHER UNREQUITED NODS IN ICELAND'S DIRECTION. THUS FAR. BOTH U.S. AND NATO HAVE IMPARTED TO UK THEIR SERIOUS CONCEPN OVER EFFECTS ON ALLIANCE SOLIDARITY AND SECURITY OF PROGRESSIVE DETERIORATION OF SITUATION WITHOUT AT THE SAME TIME GIVING IMPRESSION OF OBVIOUS TILT TOWARD ICELAND. AS CALLAGHAN MADE CLEAR TO NATO CHIEFS OF MISSION FEBRUARY 4 (REFTEL B), BRITISH BELIEVE THEY HAVE DONE EVERYTHING POSSIBLE TO AVOID A BREAK IR RELATIONS AND THE PROBABLE ATTENDANT CONSEQUENCES FOR NATO AND THE IDF. IN THIS REGARD. WE WERE INFORMED BY FCO TODAY TTAT GOI HAS NOT PURSUED HALLGRIMSSON'S IDEA OF LIMITED AGPEEMENT, NOT RESPONDED OFFICIALLY TO ANY OF THE RECENT UK PROPOSALS. NOR MADE ANY COUNTER PROPOSALS OF ITS OWN. THIS BEING THE CASE, THE BRITISH -- WHO CONFIDENTIAL.

### CONFIDENTIAL

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WONDER ALOUD WHETHER POLITICAL SITUATION IN ICELAND WILL ALLOW HALLGRIMSSON TO STRIKE ANY DEAL -- ARE PRIVATELY PESSIMISTIC AND THINK IT UNLIKELY THAT LUNS' MEDIATING EFFORTS WILL ORODUCE ANY POSITIVE RESULTS. NONETHELESS, THEY WILL COOPERATE FULLY WITH THE LUNS' MISSION, HOPING THAT -- AS IN 1973 -- THE SECRETARY GENERAL WILL SOMEHOW FIND AR ACCEPTABLE EXIT FOR THE PARTIES FROM AN APPARENT CUL-DE-SAC.

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